

“Approved”
State Committee for Securities
of the Republic of Azerbaijan

Resolution № 01
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Chairman

R. Aslanli

PROCEDURE
for making payments on notarized contracts for disposal of securities and
registration of those contracts in the depository system

1. General provisions

1.1. ‘The Procedure for making payments on notarized contracts for disposal of securities and registration of those contracts in the depository system’ (hereinafter – the Procedure) has been developed in accordance with Article 22.7 of the Law of the Republic of Azerbaijan on the Securities Market.

1.2. This Procedure determines the requirements on notary’s getting the information on securities registered with the depository system (hereinafter – the Depository System) operated by the National Depository Center (NDC) and their encumbrance, as well as immediate electronic transfer of a notarized contract to the Depository System and receipt of documents confirming the rights of the right holder from the Depository System, exchange of information in the electronic information systems organized for the purpose and its security to verify whether disposal of securities has this right.

1.3. This Procedure applies to securities registered by the NDC.

2. Maintenance of interaction

2.1. Transfer of rights to dispose of securities, information on securities registered in the Depository System and their encumbrance and documents specified in Item 2.7 herein are performed between the Depository System and

'Electronic notary' information system of the Ministry of Justice of the Republic of Azerbaijan (hereinafter - "Electronic notary" system) in real time.

2.2. To verify the ownership right of the securities that are the subject of the agreement on transfer of ownership rights of the securities (hereinafter - the agreement) and allow notaries to obtain real-time information on availability of a depo account of the right holder, the notary transmits the following information to the Depository system through the 'Electronic Notary' system on the basis of the application of the disposer on the transfer of property rights:

2.2.1. information on the parties of the contract (if it is an individual that concludes a transaction – his/her 1st, last and middle names and a series and number of ID card; if a legal entity – its full name, TIN);

2.2.2. state registration number of securities that are the subject of the contract;

2.2.3. the number of securities that are the subject of the contract;

2.2.4. transaction amount.

2.3. If the disposer has this right on the securities that are the subject of the contract and the securities are not encumbered and the right acquirer has a depo account under the contract, the NDC freezes the securities in the disposer's account for 1 (one) business day and the following information is transmitted to the "Electronic Notary" system through the Depository system:

2.3.1. transaction date and time;

2.3.2. depo account number;

2.3.3. depo account holder (if an individual – his/her 1st, last and middle names and a series and number of ID card; if a legal entity – its full name, TIN);

2.3.4. the name of an issuer;

2.3.5. state registration number of frozen securities;

2.3.6. the number of frozen securities and amount at face value.

2.4. In the absence of this right of the disposer on the securities that are the subject of the contract, or if these securities are encumbered and the recipient of the right has no depo account under the contract, the NDC transmits information to the 'E-notary' system via the Depository System on impossibility of signing a contract with those securities indicating the reasons.

2.5. Transfer of the information as per Items 2.3 and 2.4 herein to the 'E-notary' system via the Depository System occurs only on the basis of the consent of the disposer to the NDC. In the absence of the consent, the NDC

transmits information to the "Electronic Notary" system through the Depository System to that effect.

2.6. After the notary obtains the information specified in Item 2.3 herein from the "Electronic notary" system the securities agreement is signed by the parties and notarized. The information obtained by the notary from the Depository system is printed out and attached to the case on the notarial act.

2.7. After notarization of the securities agreement, the following documents are immediately transferred by the notary in electronic form (with the electronic signature of the notary) from the "Electronic notary" system to the Depository system to ensure the transfer of property rights to the securities:

2.7.1. notarized contract;

2.7.2. a document confirming that contractual payments were made by the rights acquirer (buyer) to the notary's deposit account with the bank;

2.7.3. document confirming the payment of NDC's relevant service fee.

2.8. After transfer of ownership rights to the securities that are the subject of the contract the Depository System sends information to the Electronic Notary system.

2.9. In case of suspicion of abuse during conclusion of contracts, property rights on securities are not transferred and the NDC immediately informs the State Securities Committee of the Republic of Azerbaijan (hereinafter - the Committee) with the reasons. After the information is submitted to the Committee, the NDC sends information via the Depository system to the "Electronic Notary" system on non-transfer of securities rights and submission to the Committee of the information that the contract is questionable.

2.10. Ownership rights of a person acquiring uncertified securities arise from the registration of the transfer of those securities in the NDC, and property rights of a person acquiring certified securities arise from the conclusion of a relevant transaction.

3. Payment

3.1. No additional payment (fee) is required for organization of real-time exchange with the Electronic Notary and Depository systems.

3.2. Payments under notarized contracts are made by the recipient of the right under the contract (buyer) via the notary's deposit account with the bank.

3.3. To transfer property rights on securities on the basis of a notarized contract, the recipient of the right or the disposer pays a relevant service fee to the account of the NDC.

3.4. In case of changes to NDC's bank accounts where payments are to be made the NDC informs the Ministry of Justice within 1 (one) working day.

4. Security of information and documents obtained in real time and responsibility

4.1. Electronic notary and Depository systems should identify each other using information technologies prior to starting the information sharing.

4.2. If information is shared between the 'Electronic Notary' and the Depository Systems using third-party transmission channels, the information should be encrypted only provided that the other party can read it.

4.3. Each party is responsible for the confidentiality and protection of information received from the other party.

4.4. The party providing the information through information systems is responsible for its accuracy.

4.5. The party receiving the information is not responsible before the parties to the contract for accuracy of that information.

4.6. The information received by each party from the other one shall be considered the information of that other party.

4.7. The parties providing and receiving the information should take all measures to maintain stable operation of the Electronic Notary and Depository systems and ensure security of databases, to prevent loss of information.

4.8. The party at fault is liable for the damage caused to legal entities and individuals in connection with the maintenance of the stable operation of the Electronic Notary and Depository systems and the insecurity of databases.

4.9. Provision of information to third parties is not allowed, except as provided by the laws of the Republic of Azerbaijan.

4.10. The NDC may request a copy of the application specified in Item 2.2 herein from the notary. The latter submits a copy of the requested application to the NDC within 3 (three) days.

4.11. If necessary, each party organizes trainings for users of the other party on the use of Electronic Notary and Depository systems, security and other issues.

5. Elimination of errors and inconsistencies and resolving disputes

5.1. Any discrepancies between the submitted documents and the information in the Electronic Notary and Depository systems are eliminated by immediate interaction. For this purpose, contact persons are appointed on both sides and the other party is informed about the means of communication.